

DESCRIPTION OF TRANSACTION AND PUBLIC INTEREST STATEMENT

I. Introduction

Lockheed Martin Corporation (“Lockheed Martin”) and Leidos Holdings, Inc. (“Leidos”) hereby request Federal Communications Commission (“FCC” or “Commission”) consent to the following: (i) the *pro forma* assignment of licenses (the “Licenses”)¹ to Abacus Innovations Corporation (“Abacus”), (ii) the *pro forma* transfer of control of Abacus to Lockheed Martin’s pre-distribution shareholders, and (iii) the substantial transfer of control of Abacus and the Licenses to Leidos. In particular, this application seeks Commission consent to the assignment of the Licenses from Lockheed Martin to Abacus, to be controlled by Leidos after closing, and Lockheed Martin’s *pro forma* transactions to effectuate the merger. Exhibit A describes the Licenses subject to these transactions.

Following a *pro forma* assignment of the Licenses from Lockheed Martin to Abacus, Lockheed Martin will effectuate a *pro forma* transfer of control of Abacus by engaging in an exchange offer in which Lockheed Martin shareholders wishing to participate in the exchange offer will exchange their shares of Lockheed Martin common stock for the common stock of Abacus (the “Exchange Offer”). If the Exchange Offer is not fully subscribed, all remaining shares of Abacus will be distributed *pro rata* to the shareholders of Lockheed Martin (the “Clean-up Spinoff”). As a consequence of the Exchange Offer and any Clean-up Spinoff, Lockheed Martin will not retain any ownership of Abacus, which will be wholly-owned by Lockheed Martin’s pre-distribution stockholders. Immediately following the Exchange Offer and any Clean-up Spinoff, Lion Merger Co., a wholly-owned subsidiary of Leidos (“Lion”), will be merged with and into Abacus, with Abacus surviving the merger. This merger will result in the substantial transfer of control of Abacus to Leidos. This application seeks Commission consent to the assignment of the Licenses from Lockheed Martin to Abacus, to be controlled by Leidos after closing, and Lockheed Martin’s *pro forma* transactions to effectuate the merger. Following consummation of the entire transaction, the Licenses will be held by Abacus, which will be a wholly-owned subsidiary of Leidos.

As described below, the proposed transaction is in the public interest and will not result in any competitive harm.

II. Description of the Parties

Lockheed Martin is a publicly-traded, global security and aerospace company that employs approximately 125,000 people and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services.

¹ The applicants request that the Commission’s approval of the proposed transaction include any facilities related to the “Business” (as defined herein) for which license authority may be granted to Lockheed or Abacus during the pendency of this application.

Lockheed Martin does not have any ten percent or greater shareholders except for State Street Corporation and State Street Bank and Trust Company (collectively, “State Street”) which, as reported in a Form 13G filed on February 16, 2016, beneficially own 16.7 percent of Lockheed Martin’s common stock in their capacity as trustee, independent fiduciary and/or investment manager for various Lockheed Martin employee benefit plans.² State Street does not exercise any control over the day-to-day operations of Lockheed Martin. Operational control rests with Lockheed Martin’s board of directors and leaders. The members of Lockheed Martin’s board of directors, all U.S. citizens, are as follows: Daniel F. Akerson; Nolan D. Archibald; Rosalind G. Brewer; David B. Burritt; Bruce A. Carlson; James O. Ellis, Jr.; Thomas J. Falk; Marillyn A. Hewson; James M. Loy; Joseph W. Ralston; and Anne Stevens. Abacus is a wholly-owned subsidiary of Lockheed Martin. The following is a list of Lockheed Martin’s leaders, who are all U.S. citizens: Marillyn A. Hewson, Chairman, President and CEO; Bruce L. Tanner, Executive Vice President and Chief Financial Officer; Richard F. Ambrose, Executive Vice President, Space Systems; Sondra L. Barbour, Executive Vice President, Information Systems & Global Solutions; Dale P. Bennett, Executive Vice President, Mission Systems and Training; Orlando P. Carvalho, Executive Vice President, Aeronautics; and Richard H. Edwards, Executive Vice President, Missiles and Fire Control.

Leidos serves as the holding company for its principal operating company, Leidos, Inc. Leidos is a science and technology solutions leader working to address some of the world’s toughest challenges in national security, health and infrastructure. Its approximately 18,000 employees support vital missions for government and commercial customers, develop innovative solutions to drive better outcomes and defend digital and physical infrastructure from “new world” threats.

Leidos does not have any ten percent or greater shareholders.³ For Commission ownership analysis purposes, Leidos is controlled by its board of directors. The members of Leidos’ board of directors, all U.S. citizens, are as follows: Roger A. Krone; David G. Fubini; John J. Hamre; Miriam E. John; John P. Jumper; Harry M.J. Kraemer, Jr.; Gary S. May; Lawrence C. Nussdorf; Robert S. Shapard; and Noel B. Williams.

² State Street Corp, SEC Form SC13G, filed Feb. 16, 2016, *available at* <http://ititybittyurl.com/10js>.

³ With respect to the third step in this process (the substantial transfer of control of Abacus and the Licenses to Leidos), this confirms that the transferee entity (and real party in interest) for that portion of the transaction is Leidos (FRN 0025515388) (Address/POC: 11955 Freedom Dr., Reston, VA 20190); Tel: (571) 526-7021; Attn: James. S. Kennell, James.S.Kennell@leidos.com). With respect to that entity, the replies to Items 95-99a, 100, 101 and 102 of Form 603 (Main Form) and Items 29-33, 35-39 (Main Form) and A20 of Form 312 are “No”. As explained in this Exhibit, upon completion of these transactions, Lockheed Martin’s pre-distribution shareholders are expected to control approximately 50.5 percent of Leidos’ outstanding stock. Leidos’ existing shareholders will continue to hold the remaining approximately 49.5 percent of Leidos’ outstanding stock. No one entity after the merger is expected to hold 10 percent or greater of Leidos’ stock.

III. Description of the Transaction

Lockheed Martin entered into an Agreement and Plan of Merger (the “Merger Agreement”) dated January 26, 2016, among Lockheed Martin, Leidos, Abacus, and Lion. Lockheed Martin also entered into a Separation Agreement dated January 26, 2016, between Lockheed Martin and Abacus, pursuant to which Lockheed Martin will transfer its Information Systems & Global Solutions (“IS&GS”) business segment (the “Business”) to Abacus, which will then be combined with Leidos in a tax-efficient Reverse Morris Trust transaction.

The transaction consists of two distinct but immediately sequential parts. First, Lockheed Martin will undertake an internal reorganization consisting of the following *pro forma* transactions:

- Lockheed Martin will assign the Licenses to its wholly-owned subsidiary Abacus, a *pro forma* assignment of license transaction, and
- Lockheed Martin will engage in the Exchange Offer and, if necessary, the Clean-up Spinoff such that Abacus will no longer be a subsidiary of Lockheed Martin, a *pro forma* transfer of control transaction.

Second, immediately following the *pro forma* transactions, Lion will be merged with and into Abacus, resulting in the substantial transfer of control of Abacus and the Licenses. Abacus will be the surviving entity and become a wholly-owned subsidiary of Leidos. Following the merger, Lockheed Martin’s pre-distribution shareholders are expected to control approximately 50.5 percent of Leidos’ outstanding stock.⁴ Leidos’ existing shareholders will continue to hold the remaining approximately 49.5 percent of Leidos’ outstanding stock. No one entity after the merger is expected to hold 10 percent or greater of Leidos’ stock. Current Leidos management will manage the Business, including the Licenses and customer relationships, and will control the day-to-day operations of Abacus following consummation of the proposed transaction.

Thus, Lockheed Martin and Leidos specifically request Commission consent to (i) the *pro forma* assignment of the Licenses to Abacus, (ii) the *pro forma* transfer of control of Abacus to Lockheed Martin’s pre-distribution shareholders, and (iii) the substantial transfer of control of Abacus and the Licenses to Leidos.⁵

See Exhibit B for organizational charts depicting the proposed transaction pre- and post-consummation.

⁴ In separate applications, Commission consent to the transfer of control of Leidos is requested for its existing subsidiaries that will remain subsidiaries of Leidos after the proposed transaction is consummated. See ULS File Nos. 0007281927, 0007282017, and 0007282138.

⁵ The signatory for the “Assignee” in the instant Application is specified as Ray Veldman, who is the Senior Vice President, Deputy General Counsel and Secretary for Leidos Holdings, Inc., which as described herein will be the ultimate corporate parent of Abacus upon completion of the transactions described in this Application.

IV. The Proposed Transaction Will Serve the Public Interest and Should Be Approved

The proposed transaction is in the public interest because it is expected to yield the following strategic benefits:

- *Increased scale and diversification of Leidos' product portfolio.* As a result of the transaction, Leidos expects the combined business to become the largest pure-play IT services provider to the U.S. Government with approximately \$10 billion in revenue and 33,000 skilled employees.
- *Complementary Market Access and Capabilities.* The Abacus Business will contribute to Leidos' experience in large, complex IT systems design, implementation and operation. The combined business will add federal and international IT solutions and services work in areas that complement Leidos' existing business with minimal overlap.
- *Synergies.* The consummation of the transaction is expected to generate annualized net cost synergies of approximately \$120 million by the end of fiscal year 2018. The combination of Abacus with Leidos will also generate long-term revenue synergies and enhance competitiveness.
- *Improved Financial Profile.* The consummation of the transaction will enhance Leidos' margins and revenue growth opportunities with strong free cash flow generation.

The combined operations of the Business with Leidos will form an enterprise capable of providing unparalleled solutions in industries from national security to health and life sciences. The complementary portfolios of both companies will enable synergies, creating greater operational efficiencies. IS&GS' world-class expertise, reputation and global reach will enable Leidos to offer a broader portfolio of mission critical IT solutions and services to support customers across the globe. The proposed transaction will not impact the competitive environment for the GPS augmentation satellite system services because Lockheed Martin and Leidos do not compete for the same customers. As specified herein, Leidos has the qualifications necessary to acquire control of Abacus. Post-closing, the Licenses will continue to be operated in the same manner that they are today.

V. Conclusion

For the foregoing reasons, the applicants respectfully request that the Commission expeditiously consent to the proposed transaction.

**Exhibit A
 Radio Authorizations⁶**

Lockheed Martin Corporation Authorizations

Wireless Telecommunications Bureau⁷

| Call Sign | Radio Service Code | Licensee | Proposed Assignment |
|-----------|--------------------|-----------------------------|---|
| WQNF311 | IG | Lockheed Martin Corporation | Location 2: 700 North Frederick Ave., Gaithersburg, MD Location 4: 32.0 km radius around fixed location 2 |
| WQPB451 | IG | Lockheed Martin Corporation | Location 5: 14550 Avion Pkwy., Chantilly, VA Location 11: 32.0 km radius around fixed location 5 Location 6: 9221 Corporate Blvd., Rockville, MD Location 12: 32.0 km radius around fixed location 6 |
| WQTF571 | MG | Lockheed Martin Corporation | All locations |
| WQTF669 | MG | Lockheed Martin Corporation | All locations |
| WQTF909 | MG | Lockheed Martin Corporation | All locations |

International Bureau

| Call Sign | Type | Radio Service | Licensee |
|-----------|--------------------|--------------------------------|-----------------------------|
| S2371 | Non-Common Carrier | Space Station | Lockheed Martin Corporation |
| S2372 | Non-Common Carrier | Space Station | Lockheed Martin Corporation |
| E050330 | Non-Common Carrier | Fixed, Satellite Earth Station | Lockheed Martin Corporation |

⁶ A subsidiary of Lockheed Martin – Lockheed Martin Air Traffic Management – holds five equipment authorizations that are considered part of the instant transaction. Notification of the transfer of the ownership of those equipment authorizations will be submitted post-closing, consistent with the Commission’s rules. *See* 47 C.F.R. § 2.929.

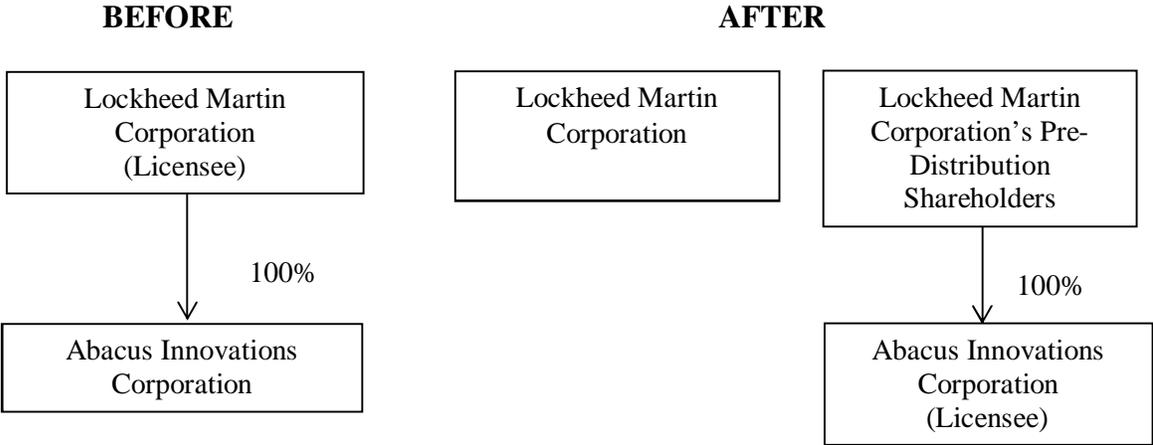
⁷ The same day the merger is closed Abacus will file an application for a new ship authorization for the Kenneth Biglane to replace Lockheed Martin’s non-transferable ship authorization, Call Sign WDF5372.

FCC Form 603 Exhibit 1
FCC Form 312 Exhibit E, F

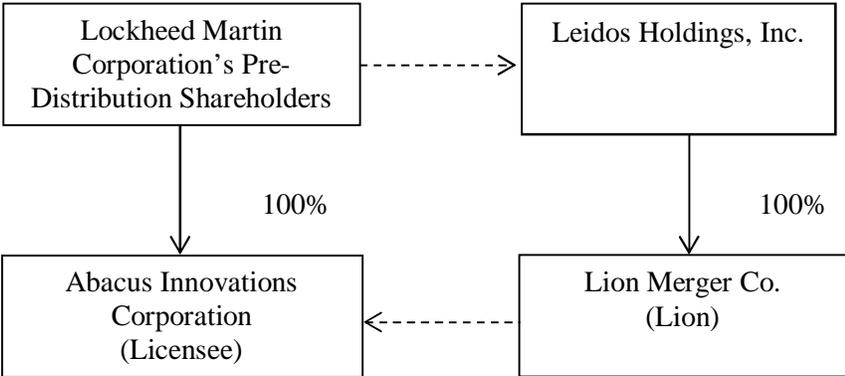
| Call Sign | Type | Radio Service | Licensee |
|------------------|--------------------|--------------------------------|-----------------------------|
| E050272 | Non-Common Carrier | Fixed, Satellite Earth Station | Lockheed Martin Corporation |
| E050350 | Non-Common Carrier | Fixed, Satellite Earth Station | Lockheed Martin Corporation |

Exhibit B
Organizational Charts

Step 1 - Lockheed Martin *Pro Forma* Transactions



Step 2 - Lion Will Merge With and Into Abacus – Substantial Transfer of Control



Post-Closing Organizational Chart

